GOVERNMENT OF INDIA
POWER
LOK SABHA

UNSTARRED QUESTION NO:825
ANSWERED ON:22.11.2001
POWER PURCHASE AGREEMENTS
KAMBALAPADU E. KRISHNAMURTHY

Will the Minister of POWER be pleased to state:

(a) whether the Government are adopting variation in the agreement between private power projects;

(b) if so, the details thereof;

(c) whether any proposal has been received by the Government in this regard particularly from Andhra Pradesh;

(d) if so, the response of the Government thereon;

(e) the details of the confrontations faced by the Government with the private projects;

(f) the number of such differences of the private parties, State-wise and

(g) the corrective measures being taken or proposed to be taken by the Government in this regard?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF POWER (SHRIMATI JAYAWANTI MEHTA)

(a) : The Central Government has not signed any Power Purchase Agreement (PPA) with any Independent Power Producer (IPP). The PPA is a contract between the State Electricity Board and the IPP in which modalities for purchase / sale of power andallocation of various risks are negotiated between the two parties for power projects. The tariff for sale of power under the PPA is to be governed by the tariff notification issued by the Government of India on 30.3.1992 under the provisions of Section 43(A)(2)of the Electricity (Supply) Act, 1948. The tariff notification allows deviation from thenorms specified in the notification subject to certain conditions. Consequent upon enactment of the Electricity Regulatory Commissions Act, 1998, the provisions ofSection 43(A)(2) have been omitted in respect of such States who have set up ElectricityRegulatory Commissions, thereby, transferring the tariff fixation powers to the Electricity Regulatory Commissions.

(b) : The tariff notification dated 30.3.1992 provides that the tariff for sale of electricity by a generating company to a State Electricity Board may also be determined in deviation of the norms, other than the norms regarding operation and Plant Load Factor (PLF), specified in the notification subject to the conditions that:-

(i) The overall per unit tariff of electricity calculated on the basis of the norms in deviation does not exceed the per unit tariff calculated on the basis of the norms specified in the notification;

(ii) The concerned State Government has, after satisfying itself, recommended that the deviations are justified; and

(iii) The Central Government, after satisfying itself that the overall per unit tariff is in accordance with condition (i) above, approves the deviations.

The norms are not relevant in regard to private power projects awarded on the basis of tariff based competitive bidding as per guidelines issued by the Central Government.

(c) to (e) : At present, no proposal from any State Government for approval ofdeviation is pending with the Central Government. However, in the past, the Government has approved deviations in regard to the Dabhol power project inMaharashtra, the Barsingsar lignite based power project in Rajasthan and the Malana hydro-electric project in Himachal Pradesh. The Government of Andhra Pradesh had, in August, 1998, proposed certain deviations in regard to the Lanco Kondapalli powerproject, which could not be approved for want of certain clarifications from the State Government. Meanwhile, the State Electricity Regulatory Commission has become operational in the state of Andhra Pradesh and, therefore, the tariff issues for new projects will be within the ambit of the Commission.

(f) & (g) : The Government of India has not faced any confrontation with privatepower projects in regards to any proposal for approval of deviations. The award of private power projects through competitive bidding has been made mandatory after 18.2.1995 and with the setting up of the State Electricity Regulatory Commissions, allissues relating to tariff including PPA will have to be approved by the Commissions.